

France finance minister warns of financial crisis if far right wins election

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Online Desk :

French Finance Minister Bruno Le Maire warned on Friday that the euro zone's second-biggest economy faced the risk of a financial crisis if either the far right or left won the coming parliamentary election because of their heavy spending plans. He urged voters to back President Emmanuel Macron's centrist candidates in the June 30 and July 7 ballot. Political uncertainty has already triggered a brutal sell-off of French bonds and stocks after Macron called the snap election, following a trouncing of his ruling party by Marine Le Pen's eurosceptic National Rally (RN) in European Parliament elections last weekend.

Opinion polls project that the RN, which has promised to cut electricity prices and VAT on gas, and increase public spending, is on track to garner the most votes and be in a position to run the government. The RN calls for protectionist "France first" economic policies. "When I look at the far right, I see a program that is made of lies," Le Maire, who has been finance minister for seven years, told franceinfo radio. Worries over stability have triggered the biggest weekly jump since 2011 in the premium investors demand to hold French government debt, and bank stocks tumbled this week. The possibility of an RN victory has compounded investor concerns around the country's fiscal discipline, analysts said.

Asked whether the current political instability could lead to a financial crisis, Le Maire said "yes". "This is because of the political programmes that are on the table with regard to the question if we will be able, yes or no, to keep financing this debt," he said. "I'm sorry, they (the far right) do not have the means to afford these expenses," said Le Maire, who had been planning multi-billion savings to put the country's finances back on track.

CUT DOWN ENERGY PRICES?

The RN, which is expected to announce details of its economic programme in coming days, has so far given only broad brush comments on increasing household purchasing power and cutting energy prices. But judging by proposals from the last parliamentary election in 2022, which it has said it would largely stick to, it would cut VAT on energy to 5.5% from 20% now and increase public spending, despite already significant levels of public debt. While opinion polls show little chance of the left winning the election, Le Maire said a newly agreed leftwing alliance,

which wants to lower the retirement age and introduce a new wealth tax for the rich, would be just as bad for the economy. Meanwhile, Le Pen and RN leader Jordan Bardella both accused Le Maire and Macron of lying over the state of the economy. "Mr Macron's government has lied," Le Pen said as she campaigned in northern France, accusing government ministers of hiding the real state of finances and the impact of the reforms they have carried out.

"If I am prime minister, I will pass in the first weeks an immigration law that will facilitate the expulsions of delinquents and Islamists," Bardella told BFM TV. "On economic issues, I have one priority, it is purchasing power. I would push through a vote for the reduction of VAT on energy ... and negotiate an exemption from the European electricity market," he said. A pension reform would come later, he added.